

CLAIRVEST GROUP INC.
NOTICE TO READER
September 30, 2019
(unaudited)

NOTICE TO READER PURSUANT TO NATIONAL INSTRUMENT 51-102 – CONTINUOUS DISCLOSURE OBLIGATIONS

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CLAIRVEST GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

\$000's	September 30	March 31
	2019	2019
ASSETS		
Cash and cash equivalents (Notes 4, 13, and 16)	\$ 216,687	\$ 288,922
Temporary investments (Notes 4 and 16)	152,582	163,403
Accounts receivable and other assets (Notes 11(f) and 16)	19,159	19,869
Loans receivable (Notes 11(e) and 16)	8,893	9,727
Derivative instrument (Note 14)	32	—
Income taxes recoverable	2,117	—
Deferred income tax asset	2,970	—
Carried interest (Note 8)	57,794	56,484
Corporate investments (Notes 6, 16, and 17)	432,869	366,279
Fixed assets (Notes 9 and 11(h))	9,607	6,569
	\$ 902,710	\$ 911,253
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 12,950	10,586
Income taxes payable	567	22,331
Accrued compensation expense	5,225	13,001
Share-based compensation (Note 12)	43,914	40,265
Management participation (Note 8)	45,638	42,599
Deferred income tax liability	4,120	3,779
	112,414	132,561
Contingencies, commitments and guarantees (Notes 11 and 15)		
Shareholders' Equity		
Share capital (Note 10)	81,035	81,245
Retained earnings	709,261	697,447
	790,296	778,692
	\$ 902,710	\$ 911,253

(see accompanying notes to interim condensed consolidated financial statements)

CLAIRVEST GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

\$000's (except per share information)	Quarter ended September 30		Six months ended September 30	
	2019	2018	2019	2018
REVENUE				
Net investment gain (loss) (Note 5)	\$ 14,166	\$ (193,317)	\$ 33,650	\$ (132,919)
Distributions and interest income (Notes 4, 11(f) and 11(g))	11,494	217,078	17,236	221,158
Net carried interest income (Note 8)	1,695	2,170	3,939	25,765
Dividend income	302	271	592	533
Management fees (Note 7)	292	318	590	654
Advisory and other fees	334	233	557	800
	28,283	26,753	56,564	115,991
EXPENSES				
Employee compensation and benefits (Notes 12 and 15(b))	3,520	3,003	14,257	6,175
Share-based compensation expenses (Note 12)	677	3,529	9,133	9,735
Administration and other expenses	3,653	1,437	4,643	2,903
Finance and foreign exchange expenses (Notes 3 and 16)	240	304	530	469
Management participation (Note 8)	2,419	2,663	5,134	18,079
	10,509	10,936	33,697	37,361
Income before income taxes	17,774	15,817	22,867	78,630
Income tax expense	2,263	2,444	1,478	10,602
Net income and comprehensive income for the period	15,511	13,373	21,389	68,028
Basic and fully diluted net income and comprehensive income per share	\$ 1.03	\$ 0.88	\$ 1.42	\$ 4.48

(see accompanying notes to interim condensed consolidated financial statements)

CLAIRVEST GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

\$000's	Share capital	Retained earnings	Total shareholders' equity
As at April 1, 2019	\$ 81,245	\$ 697,447	\$ 778,692
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>21,389</u>	<u>21,389</u>
		718,836	800,081
Dividends declared (\$0.5144 per share)		(7,786)	(7,786)
Purchase and cancellation of shares (Note 10)	(210)	(1,789)	(1,999)
As at September 30, 2019	\$ 81,035	\$ 709,261	\$ 790,296
As at April 1, 2018	\$ 81,388	\$ 585,933	\$ 667,321
Changes in shareholders' equity			
Net income and comprehensive income for the period		<u>68,028</u>	<u>68,028</u>
		653,961	735,349
Dividends declared (\$0.4401 per share)		(6,671)	(6,671)
Purchase and cancellation of shares (Note 10)	(33)	(234)	(267)
As at September 30, 2018	\$ 81,355	\$ 647,056	\$ 728,411

(see accompanying notes to interim condensed consolidated financial statements)

CLAIRVEST GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

\$000's	Quarter ended		Six months ended	
	September 30		September 30	
	2019	2018	2019	2018
OPERATING ACTIVITIES				
Net income and comprehensive income for the period	\$ 15,511	\$ 13,373	\$ 21,389	\$ 68,028
Add (deduct) items not involving a current cash outlay:				
Amortization and impairment of fixed assets	268	142	570	285
Share-based compensation	2,155	4,919	10,909	11,410
Deferred income tax expense (recovery)	1,946	(25,854)	(2,629)	(22,957)
Net investment (gain) loss	(14,166)	193,317	(33,650)	132,919
Carried interest and management participation	1,258	20,954	1,729	17,171
Non-cash items relating to foreign exchange forward contracts	(80)	8	(80)	8
Non-cash items relating to corporate investments	(72)	(414)	(74)	(656)
	<u>6,820</u>	<u>206,445</u>	<u>(1,836)</u>	<u>206,208</u>
Adjustments for:				
Net proceeds on sale (cost of acquisition) of temporary investments	7,191	(37,798)	10,821	(38,893)
Net loans repaid by (advanced to) acquisition entities or the CEP Funds	47,266	1,786	834	(2,111)
Proceeds from (cost of) settlement of realized foreign exchange forward contracts	48	(8)	48	(8)
Decrease in restricted cash	—	—	—	15,750
Investments made in investee companies or acquisition entities	(36,982)	—	(36,982)	(4,000)
Proceeds on sale of investee companies	—	—	154	—
Distribution or return of capital from investee companies or acquisition	3,877	18,316	3,962	37,559
Settlement of share-based compensation liability	(7,260)	(4,166)	(7,260)	(4,166)
	<u>14,140</u>	<u>(21,870)</u>	<u>(28,423)</u>	<u>4,131</u>
Net change in non-cash working capital balances related to operations (Note 13)	<u>(9,814)</u>	<u>38,443</u>	<u>(32,724)</u>	<u>37,708</u>
Cash provided by (used in) operating activities	<u>11,146</u>	<u>223,018</u>	<u>(62,983)</u>	<u>248,047</u>
INVESTING ACTIVITIES				
Sale of fixed assets, net of purchases	—	(5,928)	533	(5,940)
Cash provided by (used in) investing activities	<u>—</u>	<u>(5,928)</u>	<u>533</u>	<u>(5,940)</u>
FINANCING ACTIVITIES				
Cash dividends paid	(7,786)	(6,671)	(7,786)	(6,671)
Purchase and cancellation of common shares	(1,999)	(48)	(1,999)	(267)
Cash used in financing activities	<u>(9,785)</u>	<u>(6,719)</u>	<u>(9,785)</u>	<u>(6,938)</u>
Net increase (decrease) in cash during the period	<u>1,361</u>	<u>210,371</u>	<u>(72,235)</u>	<u>235,169</u>
Cash and cash equivalents, beginning of period	<u>215,326</u>	<u>120,390</u>	<u>288,922</u>	<u>95,592</u>
Cash and cash equivalents, end of period (Note 13)	<u>\$ 216,687</u>	<u>\$ 330,761</u>	<u>\$ 216,687</u>	<u>\$ 330,761</u>
Supplemental cash flow information				
Interest received	\$ 2,931	\$ 2,424	\$ 5,967	\$ 4,035
Distributions received	\$ 12,730	\$ 311,413	\$ 13,851	\$ 316,878
Income taxes paid	\$ 3,021	\$ 5,200	\$ 27,481	\$ 11,199
Interest paid	\$ 174	\$ 174	\$ 349	\$ 347

CLAIRVEST GROUP INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 (Tabular Dollar Amounts in Thousands)

(unaudited)

1. NATURE OF OPERATIONS

Clairvest Group Inc. (“Clairvest” or the “Company”) is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The company’s shares are traded on the Toronto Stock Exchange (“TSX”) under symbol CVG. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. As at September 30, 2019, Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership (“CEP III”), Clairvest Equity Partners IV Limited Partnership (“CEP IV”), Clairvest Equity Partners IV-A Limited Partnership (“CEP IV-A”), Clairvest Equity Partners V Limited Partnership (“CEP V”), CEP V HI India Investment Limited Partnership (“CEP V India”), Clairvest Equity Partners V-A Limited Partnership (“CEP V-A”), Clairvest Equity Partners VI (“CEP VI”), Clairvest Equity Partners VI-A (“CEP VI-A”), and Clairvest Equity Partners VI-B (“CEP VI-B”) (together, the “CEP Funds”). Clairvest contributes financing and strategic expertise to support the growth and development of its investee companies in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

The Company’s head office is located at 22 St. Clair Avenue East, Suite 1700, Toronto, Ontario, Canada, M4T 2S3.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The unaudited interim condensed consolidated financial statements (“financial statements”) of Clairvest are prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, “*Interim Financial Reporting*” (“IAS 34”).

Effective April 1, 2018, the Company has adopted IFRS 9, *Financial Instruments* (“IFRS 9”) replacing IAS 39 *Financial Instruments* (“IAS 39”). IFRS 9 provides a new approach for the classification of financial assets, which shall be based on the cash flow characteristics of the asset and the business model of the portfolio in which the asset is held.

Upon transition to IFRS 9, the Company’s financial assets and financial liabilities were classified as fair value through profit or loss (“FVTPL”). This classification differs from the classification under the previous IAS 39, *Financial Instruments: Recognition and Measurement*, therefore there were changes in categorization of certain financial assets and financial liabilities upon transition to IFRS 9. Effective April 1, 2018, all financial assets that had previously been designated as FVTPL and all financial assets and liabilities that were previously classified as financial assets and financial liabilities at amortized cost were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL remain unchanged upon transition to IFRS 9. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

Effective April 1, 2018, the Company has adopted IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). IFRS 15 replaces prior guidance, including IAS 18 *Revenue*. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. IFRS 15 has presented a change to the accounting policy relating to carried interest in that the Company is required to assess, prior to accrual, the extent to which it is highly probable that there will not be a significant reversal in future periods. There were no significant transition adjustments as a result of the adoption of IFRS 15.

Effective April 1, 2019, the Company adopted IFRS 16, *Leases* on a modified retrospective basis and in accordance with transitional provisions, has chosen to not restate its comparative information. Accordingly, the comparative information continues to be presented in accordance with the Company’s previous accounting policy. The Company recognized right-of-use assets and their corresponding lease liabilities for all significant lease contracts. In applying IFRS 16, the Company has used the following practical expedients as permitted by the standard: 1) Operating leases with a remaining lease term

of less than 12 months as at April 1, 2019 were treated as short-term leases under IFRS 16; and 2) Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the unaudited interim consolidated statement of earnings.

The accounting policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board (“IASB”) and the IFRS Interpretations Committee, all issued and effective as at November 12, 2019, the date the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending March 31, 2020 could result in restatement of these unaudited interim condensed consolidated financial statements.

The disclosures contained in these unaudited interim condensed consolidated financial statements include, in general, only significant changes and transactions occurring since the Company’s last year-end and are not fully inclusive of all disclosure requirements of International Financial Reporting Standards for annual financial statements. As a result, the unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements prepared in accordance with IFRS as at and for the year ended March 31, 2019.

The comparative figures indicated in the notes to the unaudited interim condensed consolidated financial statements are as of September 30, 2018 unless otherwise indicated.

The unaudited interim condensed consolidated financial statements have been presented on a historical cost basis, except for certain financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars (\$000’s), except where otherwise indicated.

Basis of consolidation

These consolidated financial statements have been prepared in accordance with IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), as issued by the IASB and include the accounts of the Company and its consolidated subsidiaries. As discussed under critical accounting estimates and judgments, the Company has determined it meets the definition of an investment entity.

(I) Consolidated subsidiaries

In accordance with IFRS 10, subsidiaries are those entities that provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. Such entities would include those which earn priority distributions or management fees and carried interest from the CEP Funds. All intercompany amounts and transactions amongst these consolidated entities have been eliminated upon consolidation. The existence and effect of potential voting rights that are currently exercisable and shareholder agreements are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

The following entities, which are significant in nature, do not meet the definition of an investment entity and provide investment-related services on behalf of the Company.

- Clairvest GP Manageco Inc.
- Clairvest GP (GPLP) Inc.
- CEP MIP GP Corporation
- Clairvest USA Limited
- Clairvest General Partner Limited Partnership
- Clairvest General Partner III Limited Partnership (“Clairvest GP III LP”)
- Clairvest General Partner IV Limited Partnership (“Clairvest GP IV LP”)
- Clairvest General Partner V Limited Partnership (“Clairvest GP V LP”)

(II) Interests in unconsolidated subsidiaries (“acquisition entities”)

In accordance with IFRS 10, interests in subsidiaries other than those that provide investment-related services are accounted for at FVTPL rather than consolidating them. As discussed under critical accounting estimates and judgments, management exercised judgment when determining whether subsidiaries are investment entities.

The following entities, which are significant in nature, are controlled by Clairvest either directly or indirectly and are used as acquisition entities of the Company. These entities' principal place of business is in Canada.

2141788 Ontario Corporation (“2141788 Ontario”)
2486303 Ontario Inc. (“2486303 Ontario”)
CEP III Co-Investment Limited Partnership (“CEP III Co-Invest”)
MIP III Limited Partnership (“MIP III”)
CEP IV Co-Investment Limited Partnership (“CEP IV Co-Invest”)
MIP IV Limited Partnership (“MIP IV”)
CEP V Co-Investment Limited Partnership (“CEP V Co-Invest”)
MIP V Limited Partnership (“MIP V”)
CEP VI Co-Investment Limited Partnership (“CEP VI Co-Invest”)
MIP VI Limited Partnership (“MIP VI”)

The Company may also use intermediate subsidiaries whose sole purpose is to hold investments for the Company and therefore not included in the listing above.

(III) Interests in the CEP Funds

Clairvest manages and invests alongside the CEP Funds, which meet the definition of structured entities under IFRS. Clairvest provides loans to and earns priority distributions or management fees and carried interest from the CEP Funds, which are further described in *note 10*. The Company concluded that its ownership interest in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds and other funds it manages for certain co-investors are not included in Clairvest's consolidated financial statements.

Significant accounting policies, new standards, interpretations and amendments

The following condensed discussion of significant accounting policies, new standards, interpretations and amendments should be read in conjunction with the disclosures presented in the audited consolidated financial statements for the year ended March 31, 2019. Unless otherwise indicated, the Company has consistently applied the following accounting policies throughout all periods presented in these unaudited interim condensed consolidated financial statements, as if these policies had always been in effect.

(a) Classification and recognition of financial instruments

In accordance with IFRS 9, financial instruments classified as FVTPL would include cash and cash equivalents, temporary investments, loans receivable, derivative instruments and corporate investments. These financial instruments are classified at initial recognition at FVTPL on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company. The Company does not apply hedge accounting to its derivative instruments. Accounts receivable and other assets would include balances relating to its acquisition entities, indirect investee companies (“investee companies”) and the CEP Funds as well as other short-term receivables. These receivable balances are recognized at amortized cost in accordance with IFRS 9. Accounts payable and accrued liabilities are considered to be payable in respect of goods or services received up to the balance sheet date and are recognised at amortised cost in accordance with IFRS 9.

(b) Temporary investments and corporate investments

The Company carries its temporary investment and its corporate investments at fair value. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, the fair value of an investment quoted on an active market is generally the closing bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted as to sale or transfer are recorded at a value

which takes into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants the underlying security of which is traded on a recognized securities exchange, if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants; interest rate; current market price; expected dividends; and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security, less the exercise price of the warrant, or nil. For private company warrants, the underlying security of which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

(c) Income recognition

Realized gains or losses on disposition of corporate investments and change in unrealized gains or losses in the value of corporate investments are calculated based on weighted average cost and are included in net investment gain in the consolidated statements of comprehensive income. Management fees and advisory and other fees are recorded as income on an accrual basis when earned. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Carried interest include amounts receivable from the CEP Funds. Each CEP Fund is separately reviewed at the consolidated statement of financial position date and an accrual for carried interest is made when the performance conditions are achieved in accordance with IFRS 15 based on the assumption that the remaining underlying investments are realized at their estimated fair values. The fair value of the underlying investments is determined consistently with the Company's valuation methodology and is measured at the consolidated statement of financial position date. Carried interest is accrued only in the event that any significant reversal during a future period is highly improbable.

(d) Stock-based compensation plans

The Company's stock option plans allow for cash settlement of stock options. As the economics to choose cash or shares as settlement is the same for all holders, compensation expense is recognized over the applicable vesting period and a corresponding liability is recorded based on the fair value of the outstanding stock options at the consolidated statements of financial position dates. Fair value is measured by use of an appropriate option-pricing model. On the exercise of stock options for shares, the liability recorded with respect to the options and consideration paid by the employees is credited to share capital. On the exercise of stock options for cash, the liability recorded is reduced and any difference between the liability accrued and the amount paid is charged to share-based compensation expense.

(e) Entitlements of partners of a limited partnership

The Company consolidates acquisition entities which includes various limited partnerships as described in *note 2(I)* and the entitlements of partners of these limited partnerships that are external to the consolidated group of the Company are recorded as a liability and an expense of the Company. Accordingly, that portion of the carried interest from the CEP Funds which are ultimately paid to the limited partners of MIP III, MIP IV and MIP V, and MIP VI which are external to

the consolidated group are recorded as a management participation liability and a management participation expense on the unaudited interim condensed consolidated financial statements.

(e) Leases

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. Each lease payment is allocated between the repayment of the lease liability and finance expenses. Finance expenses are charged to the unaudited interim consolidated statement of comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The associated right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for previously recognized lease accruals, in accordance with the transitional provisions of IFRS 16, and comprised entirely real estate premises. The right-of-use assets are included within fixed assets in the unaudited interim consolidated statement of financial position and amortized on a straight-line basis over the shorter of the asset's useful life and the lease term. There was no impact to retained earnings on April 1, 2019 resulting from the adoption of IFRS 16.

(f) Critical accounting estimates, assumptions and judgments

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS required management to make estimates, assumptions and judgments that affect the reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates could materially differ from the related actual results. The following estimates, assumptions and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal quarter:

Determination of investment entity

Judgement is required when making the determination that the Company or its various subsidiaries meet the definition of an investment entity under IFRS. In accordance with IFRS 10, an investment entity is an entity that: "obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis." In addition, IFRS 10 clarifies that an investment entity may earn fee income from the provision of investment-related services to external parties. The Company has historically invested alongside third-party capital in the CEP Funds that it manages. In determining its status as an investment entity, the Company has determined that fair value is the primary measurement attribute used to monitor and evaluate its investments.

Fair value of financial instruments

Certain financial instruments are recorded in the Company's consolidated statements of financial position at values that are representative of or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. The fair values of certain other financial instruments are determined using valuation techniques. By their nature, these valuation techniques require the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using valuation techniques may affect net investment gain reported in a particular period.

The Company assesses, at each reporting date, whether there is any objective evidence to revise the fair values of its financial instruments. The assessment of the fair value of a financial instrument requires significant judgment, where management evaluates, among other factors, the financial health and business outlook of their investees. Fair value information is presented in *note 16*.

Recognition of carried interest and corresponding expenses

The determination of the Company's unrealized carried interest receivable recorded on the consolidated statements of financial position is based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques which by their nature involve the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially

impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of unrealized carried interest receivable and the resulting accrued liabilities for future payouts relating to these unrealized carried interest receivable at the statement of financial position dates.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. Judgment is required in determining whether deferred income tax assets should be recognized on the consolidated statements of financial position. Deferred income tax assets are recognized to the extent that the Company believes it is probable that the deferred income tax asset will be realized. Furthermore, deferred income tax balances are recorded using enacted or substantively enacted future income tax rates. Changes in enacted income tax rates are not within the control of management. However, any such changes in income tax rates may result in actual income tax amounts that differ significantly from estimates recorded in deferred income tax balances.

3. CREDIT FACILITIES

Clairvest maintains a \$100.0 million revolving credit facility which is participated in by several Schedule 1 Canadian chartered banks. The credit facility, which had an expiry of December 2023 and is eligible for a one-year extension on each anniversary of the closing date, bears interest at the bank prime rate plus 1.25% per annum on drawn amounts and a standby fee of 0.70% per annum on undrawn amounts. During the second quarter of fiscal 2020, the credit facility was extended to December 2024 under the same terms and conditions. A renewal fee of \$75 thousand was paid during the quarter. No amounts had been drawn on the facility during the quarter and as at September 30, 2019. The amount available under the credit facility as at September 30, 2019 was \$100.0 million.

4. CASH, CASH EQUIVALENTS, TEMPORARY INVESTMENTS AND RESTRICTED CASH

Cash equivalents consist of deposits in investment and money market savings accounts which have maturities of less than 90 days from the date of acquisition. As at September 30, 2019, the pre-tax weighted average yield was 2.2% (March 2019 – 2.2%) per annum.

Temporary investments comprised guaranteed investment certificates, corporate bonds, and other fixed income securities as permitted by the Company's treasury policy which in aggregate may not exceed 10% of book value and with no single issue greater than 1.5% of book value. Temporary investments have maturities greater than 90 days from the date of acquisition and through to December 2020. The pre-tax weighted average yield was 3.2% (March 2019 – 3.5%) per annum. The composition of Clairvest's temporary investments was as follows:

	September 30, 2019			March 31, 2019
	Due in 1 year or less	Due after 1 year	Total	Total
Guaranteed investment certificates	\$ 127,970	\$ —	\$ 127,970	\$ 126,231
Corporate bonds	6,020	—	6,020	6,003
Other fixed income securities ⁽¹⁾	14,571	4,021	18,592	31,169
Total	\$ 148,561	\$ 4,021	\$ 152,582	\$ 163,403

(1) The pre-tax weighted average yield on other fixed income securities was 6.5% (March 2019 – 7.5%) per annum.

Additionally, Clairvest's acquisition entities held \$29.3 million (March 2019 – \$28.3 million) in cash and cash equivalents and \$19.4 million (March 2019 – \$19.7 million) in temporary investments as described in *note 6*.

5. NET INVESTMENT GAIN (LOSS)

Net investment gain for the quarter ended September 30, 2019 comprised \$16.6 million (2019 – \$12.1 million) of net investment gain on the Company's investee companies and \$2.4 million of net investment loss (2019 – \$205.4 million) on the Company's fair value revaluation of its acquisition entities.

During the second quarter of fiscal 2019, Clairvest received distributions totalling \$208.6 million from CEP IV Co-Invest following the sale and partial sale of certain investee companies resulting in a net investment loss on the Company's fair value revaluation of its acquisition entities.

6. CORPORATE INVESTMENTS

In accordance with IFRS 10, the fair value of the Company's corporate investments includes the fair value of the net assets of its acquisition entities which are controlled by the Company. Accordingly, Clairvest's direct corporate investments comprise these acquisition entities, which invest directly or indirectly in various investee companies and other investee companies where Clairvest invested directly.

The following table details the fair value of Clairvest's direct investments and acquisition entities which are controlled by Clairvest but which are not part of the consolidated group:

	September 30 2019			March 31, 2019		
	Investee companies	Acquisition entity net assets (liabilities)	Total	Investee companies	Acquisition entity net assets (liabilities)	Total
\$000's						
Held directly by Clairvest Group Inc.	42,077	—	42,077	25,077	—	25,077
Held through the following acquisition entities						
2141788 Ontario	61,808	32,610	94,418	59,664	29,519	89,183
2486303 Ontario	3,993	(8,235)	(4,242)	6,263	(8,357)	(2,094)
CEP III Co-Invest	20,204	133	20,337	22,929	2,960	25,889
MIP III	809	(10)	799	918	(17)	901
CEP IV Co-Invest	113,710	443	114,153	108,563	(1,013)	107,550
MIP IV	1,723	(6)	1,717	1,645	(7)	1,638
CEP V Co-Invest	154,567	2,699	157,266	111,031	3,721	114,752
MIP V	3,749	(80)	3,669	3,458	(75)	3,383
CEP VI Co-Invest	—	(718)	(718)	—	—	—
MIP VI	—	3,393	3,393	—	—	—
Total	402,640	30,229	432,869	339,548	26,731	366,279

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly owned acquisition entity of Clairvest. 2486303 Ontario is a wholly owned acquisition entity of Clairvest, which together with Clairvest holds a 100% interest in Clairvest Equity Partners Limited Partnership ("CEP"). CEP was an investment fund held by third-party investors until December 2015. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, CEP V Co-Invest and MIP V, and CEP VI Co-Invest and MIP VI are described in *notes 11(a), 11(b), 11(c) and 11(d)*.

During the second quarter of fiscal 2020, Clairvest and 2141788 Ontario made an additional investment of \$22.1 million and \$3.1 million respectively in CEP V Co-Invest, which was primarily used to facilitate the investment made by CEP V Co-Invest in FSB Technology (UK) Ltd. ("FSB Technology") during the quarter and in Durante Rentals, LLC ("Durate Rentals") which closed during the first quarter of fiscal 2020. Also during the quarter, Clairvest, 2141788 Ontario, and MIP V received a return of capital of \$3.0 million, \$0.5 million, and \$65 thousand respectively from CEP V Co-Invest.

The following table details the assets and liabilities included in the determination of the fair value of the net assets of acquisition entities excluding the investee companies held by these acquisition entities.

\$000's	September 30 2019	March 31 2019
Assets		
Cash and cash equivalents	29,290	28,275
Temporary investments	19,396	19,662
Accounts receivable and other assets	196	435
Income taxes recoverable	609	128
Derivative instruments	61	1,619
Deferred income tax asset	999	640
	50,551	50,759
Liabilities		
Accounts payable and accrued liabilities	2,128	1,805
Loans payable	8,759	8,759
Income taxes payable	1	648
Derivative instruments	455	3,240
Deferred income tax liability	8,979	9,576
	20,322	24,028
Net assets	30,229	26,731

Excluding the net assets from acquisition entities summarized in the table above, the difference between the fair value and the cost of the Company's investment in its investee companies are summarized below.

\$000's	September 30, 2019			March 31, 2019		
	Fair value	Cost	Difference	Fair value	Cost	Difference
Investments made by CEP III Co-Invest alongside CEP III						
Chilean Gaming Holdings ⁽¹⁾	54,444	27,748	26,696	61,785	27,748	34,037
Investments made by CEP IV Co-Invest alongside CEP IV						
Centaur Gaming	8,516	—	8,516	7,843	—	7,843
County Waste of Virginia, LLC	36,920	14,831	22,089	31,199	14,831	16,368
Davenport Land Investments ⁽²⁾	3,293	2,196	1,097	3,254	2,196	1,058
Impero Waste Services, LLC ⁽³⁾	—	—	—	544	3,019	(2,475)
MAG Aerospace / Momentum Solutions	730	—	730	819	—	819
New Meadowlands Racetrack, LLC	11,174	6,444	4,730	10,681	6,444	4,237
Northco / Top Aces	54,800	57,915	(3,115)	55,868	59,100	(3,232)
Investments made by CEP V Co-Invest alongside CEP V						
Accel Entertainment Inc.	49,868	15,978	33,890	36,067	15,978	20,089
Also Energy, Inc.	13,157	12,148	1,009	12,463	11,621	842
Digital Media Solutions, LLC	6,752	995	5,757	10,055	995	9,060
Durante Rentals	13,744	13,591	153	—	—	—
FSB Technology	11,153	11,225	(72)	—	—	—
GTA Gaming	8,972	8,972	—	8,972	8,972	—
Head Digital Works Pvt. Ltd.	56,072	46,804	9,268	43,620	46,804	(3,184)
Meriplex Communications Ltd.	6,953	6,732	221	7,016	6,732	284
Right Time Heating and Air Conditioning Canada Inc.	6,375	6,375	—	6,375	6,375	—
Winters Bros. Waste Systems of Long Island Holdings, LLC	13,647	10,636	3,011	11,647	10,636	1,011
SST Solar Holdings, Inc.	14,790	14,882	(92)	—	—	—
Grey Eagle Casino	5,324	11,017	(5,693)	8,351	11,017	(2,666)
Wellington Financial	3,140	—	3,140	2,955	154	2,801
	379,824	268,489	111,335	319,514	232,622	86,892
Other investments ⁽⁴⁾	22,816	292	22,524	20,034	455	19,579
	402,640	268,781	133,859	339,548	233,077	106,471

(1) Comprised Clairvest's indirect investments in various gaming properties in Chile

(2) Comprised two entities which hold real estate surrounding a casino in Davenport, Iowa ("Davenport North" and "Davenport South")

(3) Realized during fiscal 2020

(4) Includes Clairvest's investment in common shares of Canadian Imperial Bank of Commerce ("CIBC").

During the second quarter of fiscal 2020, the aggregate fair value of Clairvest's investee companies increased by \$45.2 million, comprised primarily of \$26.5 million in new and follow-on investments as described below, \$19.6 million in net changes in unrealized gains in investee companies, \$1.0 million in interest accrued on debt investments and dividends

accrued, net of \$1.8 million losses in foreign exchange revaluation. The cost and fair value of investee companies do not reflect foreign exchange gains or losses on these foreign exchange forward contracts (refer to note 14). For those investments which were hedged by acquisition entities, the fair value of these foreign exchange forward contracts was included in the net assets (liabilities) of these acquisition entities. Details of significant events of the investee companies, other than with respect to valuation changes and foreign exchange adjustments, are described below.

During the second quarter of fiscal 2020, CEP V Co-Invest invested £6.8 million (C\$11.2 million) in FSB Technology, a Business to Business sports and internet gaming technology supplier based in London, United Kingdom. The investment was made in the form of 6,846,401 Class A shares of FSB Technology for a 24.3% ownership interest on a fully diluted basis.

Also during the second quarter of fiscal 2020, Clairvest invested US\$11.2 million (C\$14.9 million) in SST Solar Holdings, Inc. (“SST”), a solar operations and maintenance company serving both the commercial and residential sector in the United States. The investment was made in the form of 11,200 Class A shares of SST for a 67.1% ownership interest on a fully diluted basis.

7. GENERAL PARTNER PRIORITY DISTRIBUTIONS AND MANAGEMENT FEES

Clairvest derives revenue from its investment management services from the CEP Funds in the form of general partner priority distributions or management fees. The priority distributions and management fees received by Clairvest are reduced by fees earned by Clairvest from corporate investments of the CEP Funds and other amounts as provided in the respective Limited Partnership Agreements.

During fiscal 2020, Clairvest completed the fundraising of Clairvest Equity Partners VI, a new private equity investment pool which comprised a US\$230.0 million co-investment commitment from Clairvest through CEP VI Co-Invest (see *note 11(d)*), and US\$620.0 million of commitments from third-party investors through CEP VI, CEP IV-A and CEP VI-B. Clairvest Equity Partners VI will be the successor fund to Clairvest Equity Partners V. As at September 30, 2019, the general partner priority distributions or management fees on Clairvest Equity Partners VI have not commenced as Clairvest Equity Partners V has not completed its new investment program.

For the quarter ended September 30, 2019, Clairvest recorded general partner priority distributions and management fees from the CEP Funds as follows:

Priority Distributions \$000's	Quarter ended September 30		Six months ended September 30	
	2019	2018	2019	2018
CEP III	96	135	192	270
CEP IV	341	433	678	987
CEP V	1,462	1,315	2,735	2,631
CEP V India	157	160	316	320
	2,056	2,043	3,921	4,208

Management Fees \$000's	Quarter ended September 30		Six months ended September 30	
	2019	2018	2019	2018
CEP IV-A	54	72	109	162
CEP V-A	238	246	481	492
	292	318	590	654

8. CARRIED INTEREST AND MANAGEMENT PARTICIPATION

As governed by their respective Limited Partnership Agreements, certain Clairvest consolidated subsidiaries are entitled to participate in distributions equal to 20% of all net gains (“carried interest”), which is subject to the respective CEP Fund achieving a minimum net return on their investment. On CEP VI, CEP VI-A and CEP VI-B, the carried interest increases from 20% to 25% once their investors achieve a net return of two times their aggregate capital contributions.

Clairvest is entitled to 50% of the carried interest realized in each CEP Fund and Clairvest management is entitled to the other 50% of the carried interest through their limited partnership interests in the various MIP Partnerships. Clairvest management is also entitled to an 8.25% carried interest from the various CEP Co-Invest Partnerships as governed by their respective Limited Partnership Agreements. Clairvest management is required to purchase limited partnership units of the various MIP Partnerships at fair market value.

In accordance with *note 2(e)*, Clairvest records the carried interest entitlement of the CEP Funds and records an expense and a liability on that portion of the carried interest which are payable to Clairvest management.

Net carried interest income for the quarters ended September 30, 2019 and 2018 comprised the following:

\$000's	Quarter ended September 30		Six months ended September 30	
	2019	2018	2019	2018
Realized carried interest income	2,630	82,370	2,630	86,767
Net changes in unrealized carried interest	(935)	(80,200)	1,309	(61,002)
	1,695	2,170	3,939	25,765

The following tables detail the carried interest received and management participation paid for the quarter ended September 30 and the corresponding receivable and payable balances as at the respective balance sheet dates:

\$000's	Realized carried interest		Unrealized carried interest, as at	
	Quarter ended September 30		September 30	March 31
	2019	2018	2019	2019
CEP	24	160	882	1,333
CEP III	960	—	10,170	11,969
CEP IV	1,350	73,050	40,260	37,112
CEP IV-A	296	9,160	6,482	6,070
	2,630	82,370	57,794	56,484

\$000's	Management participation paid ⁽¹⁾		Management participation payable, as at	
	Quarter ended September 30		September 30	March 31
	2019	2018	2019	2019
CEP III	480	—	5,085	5,985
CEP IV	675	36,525	20,130	18,556
CEP IV-A	148	4,580	3,241	3,035
CEP III Co-Invest	470	—	4,100	4,889
CEP IV Co-Invest	322	18,637	9,560	9,008
CEP V Co-Invest	—	—	3,522	1,126
	2,095	59,742	45,638	42,599

(1) \$1.6 million (2019 - \$36.4 million) of the carried interest declared by various CEP Funds and co-investment vehicles was ultimately received by key management during the second quarter of fiscal 2020.

9. FIXED ASSETS

The composition of Clairvest's fixed assets was as follows:

\$000's	Aircraft ⁽¹⁾	IT equipment	Furniture, fixtures and equipment	Leasehold improvements	Right-of-use asset ⁽²⁾	Total
As at September 30, 2019						
Cost	5,925	16	295	708	4,175	11,119
Accumulated amortization	(593)	(16)	(243)	(456)	(204)	(1,512)
Net book amount	5,332	—	52	252	3,971	9,607
As at March 31, 2019						
Cost	9,528	16	295	708	—	10,547
Accumulated amortization	(3,367)	(15)	(230)	(366)	—	(3,978)
Net book amount	6,161	1	65	342	—	6,569

⁽¹⁾ A corresponding payable equal to 50% of the net book value of the aircrafts had been recorded to reflect the ownership interest of the related parties

⁽²⁾ As a result of adopting *IFRS 16: Leases*, Clairvest included an accrued liability resulting from future minimum annual lease payments for the use of office space. \$0.6 million is due within one year, \$2.5 million due after one year but no more than five years, and \$1.7 million due after five years. Refer to *note 15(e)* for more detail.

10. SHARE CAPITAL

The Company has a normal course issuer bid (“NCIB”) outstanding enabling it to make purchases of up to 760,747 common shares in the 12-month period ending March 6, 2020. During the second quarter of fiscal 2020, 39,194 shares were purchased for cancellation under the NCIB for \$2.0 million.

At September 30, 2019, 15,097,301 (March 2019 – 15,136,495) common shares were outstanding.

The Board of Directors of the Company had authorized the creation of Non-Voting Series 2 Shares (“Non-Voting Shares”) which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the stock option program as described in *note 12*. No Non-Voting Shares had been issued as at September 30, 2019.

11. RELATED PARTY TRANSACTIONS

- (a) CEP III Co-Invest, an investment vehicle established in fiscal 2007, has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

CEP III Co-Invest’s co-investment commitment is \$75.0 million, \$15.2 million (March 2019 – \$15.2 million) of which remained unfunded as at September 30, 2019. CEP III Co-Invest is capitalized by three limited partners, Clairvest, 2141788 Ontario and MIP III. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at September 30, 2019, MIP III had invested \$1.1 million in CEP III Co-Invest. Clairvest, as the general partner of MIP III, is entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. Distributions totalling \$0.1 million were made from MIP III to Clairvest during the second quarter of fiscal 2020. As at September 30, 2019, \$2.4 million (March 2019 – \$2.3 million) had been received by Clairvest.

- (b) CEP IV Co-Invest, an investment vehicle established in fiscal 2010, has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

CEP IV Co-Invest’s co-investment commitment is \$125.0 million, \$21.2 million (March 2019 – \$21.2 million) of which remained unfunded as at September 30, 2019. CEP IV Co-Invest is capitalized by two limited partners, Clairvest and MIP IV. In accordance with the co-investment agreement, the proportion of the commitment amongst its two limited partners is at their own discretion. As at September 30, 2019, MIP IV had invested \$1.6 million in CEP IV Co-Invest. Clairvest, as the general partner of MIP IV, is entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by MIP IV in CEP IV Co-Invest. Distributions totalling \$53 thousand were made from MIP IV to Clairvest during the second quarter of fiscal 2020. As at September 30, 2019, \$5.8 million (March 2019 – \$5.8 million) had been received by Clairvest.

- (c) CEP V Co-Invest, an investment vehicle established in fiscal 2015, has committed to co-invest alongside CEP V, CEP V India and CEP V-A in all investments undertaken by CEP V, CEP V India and CEP V-A. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V, CEP V India and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V, CEP V India and CEP V-A.

CEP V Co-Invest's co-investment commitment is \$180.0 million, \$60.5 million (March 2019 – \$85.7 million) of which remained unfunded as at September 30, 2019. CEP V Co-Invest is capitalized by three limited partners, Clairvest, 2141788 Ontario and MIP V. In accordance with the co-investment agreement, the proportion of the commitment amongst its three limited partners is at their own discretion. As at September 30, 2019, MIP V had invested \$2.4 million in CEP V Co-Invest. Clairvest, as the general partner of MIP V, is entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. Distributions totalling \$0.1 million were made from MIP V to Clairvest during the second quarter of fiscal 2020. As at September 30, 2019, \$0.1 million (March 2019 – \$9 thousand) had been received by Clairvest.

- (d) CEP VI Co-Invest, an investment vehicle established in April 2019, has committed to co-invest alongside CEP VI, CEP VI-A and CEP VI-B in all investments undertaken by CEP VI, CEP VI-A and CEP VI-B. CEP VI Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP VI, CEP VI-A and CEP VI-B if it concurrently sells a proportionate number of securities of that corporate investment held by CEP VI, CEP VI-A, and CEP VI-B.

CEP VI Co-Invest's co-investment commitment is US\$230.0 million (C\$304.6 million), all of which remained unfunded as at September 30, 2019. CEP VI Co-Invest is capitalized by two limited partners, Clairvest and MIP VI. In accordance with the co-investment agreement, the proportion of the commitment amongst its two limited partners is at their own discretion. As at September 30, 2019, MIP VI has committed to invested US\$2.6 million in CEP VI Co-Invest. Clairvest, as the general partner of MIP VI, is entitled to participate in distributions equal to the realizable value on the US\$2.6 million to be invested by MIP VI in CEP VI Co-Invest. No distributions had been made by MIP VI to Clairvest as at September 30, 2019.

- (e) Changes to loans receivable for the quarter ended September 30, 2019 were as follows:

\$000's	July 1 2019	Net Loans advanced (repaid)	September 30 2019
CEP IV ⁽¹⁾	990	(990)	—
CEP V ⁽²⁾	27,501	(27,501)	—
CEP V-A ⁽³⁾	5,221	(5,087)	134
CEP V Co-Invest ⁽⁴⁾	13,688	(13,688)	—
2486303 Ontario ⁽⁵⁾	8,759	—	8,759
Loans receivable	56,159	(47,266)	8,893

(1) Loans advanced to CEP IV bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$3 thousand (2019 – \$18 thousand) was earned from loans advanced to CEP IV during the second quarter of fiscal 2020

(2) Loans advanced to CEP V bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$0.3 million (2019 – nil) was earned from loans advanced to CEP V during the second quarter of fiscal 2020

(3) Loans advanced to CEP V-A bear interest at the Reference Rate in accordance with the Limited Partnership Agreement. Interest of \$0.1 million (2019 – nil) was earned from loans advanced to CEP V-A during the second quarter of fiscal 2020.

(4) Loans advanced to these acquisition entities are non-interest bearing

(5) Loans advanced to 2486303 Ontario bear interest at 10.0% per annum. Interest of \$0.2 million (2019 – \$0.2 million) was earned from these loans during the second quarter of fiscal 2020

- (f) Accounts receivable and other assets comprised the following:

\$000's	September 30	March 31
	2019	2019
Clairvest's investee companies	1,215	1,213
CEP III	72	430
CEP IV	79	86
CEP IV-A	104	39
CEP V	2,370	6,315
CEP V India	1,207	839
CEP V-A	5,048	4,591
CEP VI	1,126	—
CEP VI-A	1,576	—
CEP VI-B	1,002	—
	13,799	13,513
Other accounts receivable and prepaid expenses	2,583	3,052
Share purchase loans	2,777	3,304
	19,159	19,869

Share purchase loans to employees of the Company totalling \$2.8 million (March 2019 – \$3.3 million) bear interest which is paid annually, have full recourse and are collateralized by the common shares of the Company purchased by employees with a market value of \$4.1 million (March 2019 – \$6.4 million). None of these loans were made to key management. Interest of \$11 thousand (2019 – \$16 thousand) was earned on the loans during the second quarter of fiscal 2020.

Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* held receivables from CEP V totalling \$30 thousand (March 2019 – \$25 thousand), from CEP V-A totalling \$6 thousand (March 2019 – \$5 thousand) and from Clairvest's investee companies totalling \$38 thousand (March 2019 – \$0.4 million).

- (g) During the second quarter of fiscal 2020, Clairvest earned \$0.7 million (2019 – \$0.3 million) in distributions and interest income, \$0.3 million in dividends (2019 – \$0.3 million), and \$0.3 million (2019 – \$0.2 million) in advisory and other fees from its investee companies. Additionally, acquisition entities which were not consolidated by the Company as described in *note 6* earned \$1.9 million (2019 – \$8.4 million) in distributions and interest income, \$1.0 million in dividends (2019 – \$0.3 million) from its investee companies.
- (h) Clairvest and a related party of Clairvest, through a limited partnership, owns an aircraft that is available for use by both parties. Clairvest and the related party each hold a 50% limited partnership interest. As Clairvest, through a wholly-owned subsidiary, is the general partner of the limited partnership, Clairvest had recognized 100% of the net book value of the aircraft and a liability for the 50% ownership held by the related party. The cost of the aircraft had been included in fixed assets and the liability in accounts payable and accrued liabilities.

12. SHARE-BASED COMPENSATION AND OTHER COMPENSATION PLANS

In June 2016, the Company adopted a new stock option plan (the "Non-Voting Option Plan"). Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares as described in *note 10*. As at September 30, 2019, 528,336 options had been granted under this plan since its inception. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a five-year period. As at September 30, 2019, 518,758 options were outstanding, 193,685 options of which had vested.

Clairvest recognizes stock-based compensation expense based upon the fair value of the outstanding stock options as at September 30, 2019 using the Black-Scholes option pricing model with the following assumptions:

As at September 30, 2019

Year of grant	2019	2018	2017	2016
# of options granted	106,667	49,487	168,829	203,353
# of options exercised	—	—	—	1,916
# of options forfeited	—	—	—	7,662
# of options vested	—	9,895	67,528	116,262
Option price ⁽¹⁾	95.95	92.51	70.39	54.97
Black-Scholes assumptions used				
Expected volatility	10 %	10 %	10 %	10 %
Expected forfeiture rate	5 %	5 %	5 %	5 %
Expected dividend yield	1.00 %	1.00 %	1.00 %	1.00 %
Risk-free interest rate	1.73 %	1.76 %	1.81 %	1.88 %
Expected life (years)	4.75	3.75	2.75	1.75
Liability using Black-Scholes (\$'000s)⁽²⁾	190	324	3,708	7,462

⁽¹⁾ Based on two times the 5-day weighted average closing price of Clairvest common shares at date of grant and is adjusted for any special dividends paid by the Company.

⁽²⁾ Share price for a Clairvest common share as at September 30, 2019 was \$50.51 (TSX: CVG).

As at September 30, 2019, \$11.7 million (March 2019 – \$8.9 million) had been accrued under the Company’s Non-Voting Option Plan. During the second quarter of fiscal 2020, Clairvest recognized an expense on stock-based compensation of \$0.7 million (2019 – \$1.3 million).

In June 2016, the Board of Directors of the Company approved an Employee Deferred Share Units (“EDSU”) Plan. The EDSU Plan provides, among other things, that participants may elect to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represented approximately 1.3% of the outstanding number of common shares as at September 30, 2019. During the quarter, 28,265 (2019 – 27,434) EDSUs were issued in accordance with the EDSU plan. As at September 30, 2019, 107,496 EDSUs (March 2019 – 78,449 EDSUs) had been issued based on the terms and conditions of the EDSU Plan. Accordingly, an accrual of \$5.4 million (March 2019 – \$3.7 million) had been included in share-based compensation liability. During the second quarter of fiscal 2020, Clairvest recognized an expense recovery of \$0.1 million (2019 – expense of \$0.1 million) with respect to EDSUs.

As at September 30, 2019, a total of 422,584 (March 2019 – 595,948) Book Value Appreciation Rights Units (“BVARs”) were held by employees of Clairvest, the accrual in respect of which was \$9.1 million (March 2019 – \$11.4 million) and had been included in share-based compensation liability, and a further \$4.2 million (March 2019 – \$7.2 million) not accrued as those BVARs had not vested. During the second quarter of fiscal 2020, Clairvest recognized an expense of \$0.1 million (2019 – \$1.6 million) with respect to BVARs.

Compensation paid and payable to key management

In addition to the directors, key management at Clairvest are the Chief Executive Officer (“CEO”), the Vice Chairman and the President. The CEO and the President are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. The Vice Chairman is entitled to annual discretionary cash bonuses of up to 100% of annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest’s Incentive Bonus Program as described in *note 15(e)*, the Non-Voting Option Plan, the BVAR plan and the EDSU plan. Aggregate compensation paid to the CEO, the Vice Chairman, and the President for the quarters ended September 30 were as follows:

\$000’s	Quarter ended September 30		Six months ended September 30	
	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Paid:				
Salaries	228	209	456	418
Annual incentive plans ⁽²⁾	3,894	925	4,070	1,089
Book value appreciation rights	2,923	1,821	2,923	1,821
	7,045	2,955	7,449	3,328

⁽¹⁾ Aggregate compensation paid excludes amounts paid to the President, a role created effective January 1, 2018.

⁽²⁾ Includes quarterly payments from annual discretionary cash bonuses of up to 21.875% of their respective annual base salary.

Compensation payable to the CEO, the Vice-Chairman, and the President at the statement of financial position dates were as follows:

\$000's	September 30	March 31
	2019	2019
Payable:		
Annual incentive plans	1,021	5,095
Stock options	3,983	3,028
Book value appreciation rights	6,208	6,193
Employee deferred share units	1,433	1,069
	12,645	15,385

As at September 30, 2019, a total of 264,650 (March 2019 – 257,573) DSUs were held by directors of the Company, the accrual in respect of which was \$13.9 million (March 2019 – \$12.7 million) and had been included in share-based compensation liability. For the quarter ended September 30, 2019, Clairvest recognized an expense recovery of \$84 thousand (2019 – expense of \$0.3 million) with respect to DSUs.

As at September 30, 2019, a total of 120,000 (March 2019 – 120,000) ADSUs were held by directors of the Company, the accrual in respect of which was \$3.9 million (March 2019 – \$3.6 million) and had been included in share-based compensation liability. For the quarter ended September 30, 2019, Clairvest recognized an expense recovery of \$28 thousand (2019 – expense of \$0.1 million) with respect to ADSUs.

As at September 30, 2019, compensation payable to the directors of Clairvest included \$1.1 million (March 2019 – \$0.9 million) under the Non-Voting Option Plan.

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

Net change in non-cash working capital balances related to operations for the quarters ended September 30 are detailed as follows:

\$000's	2019	2018
Accounts receivable and other assets	5,408	13,989
Income taxes recoverable	(631)	394
Accounts payable and accrued liabilities, excludes lease liability recognized, see <i>note 15(e)</i>	(3,281)	4,169
Income taxes payable	(2,506)	22,088
Accrued compensation expense	(8,804)	(2,197)
	(9,814)	38,443

Cash and cash equivalents at the statement of financial position dates comprised the following:

\$000's	September 30	March 31
	2019	2019
Cash	189,141	262,286
Cash equivalents	27,546	26,636
	216,687	288,922

14. DERIVATIVE INSTRUMENTS

The Company and its acquisition entities enter into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans in accordance with its foreign exchange hedging policy. During the quarter ended September 30, 2019, Clairvest received proceeds totalling \$48 thousand (2018 – paid cost totalling \$8 thousand) from settlement of a realized foreign exchange forward contract. In addition, acquisition entities of Clairvest received proceeds totalling \$1.7 million (2018 – paid costs totalling \$4.0 million) from settlement of realized foreign exchange forward contracts.

As at September 30, 2019, Clairvest had entered into a foreign exchange forward contract as hedge against its foreign-denominated investment as follows:

Foreign exchange forward contracts to sell US\$11.2 million (March 2019 – nil) at an average rate of Canadian \$1.3263 per U.S. dollar (March 2019 – nil) through to November 2019. The fair value of the forward contract as at September 30, 2019 was a gain of \$32 thousand (March 2019 – nil).

As at September 30, 2019, acquisition entities of Clairvest had entered into foreign exchange forward contracts as hedge against its foreign-denominated investments as follows:

Foreign exchange forward contracts to sell US\$118.1 million (March 2019 – US\$83.7 million) and to buy US\$1.5 million (March 2019 – nil) at an average rate of Canadian \$1.3182 per U.S. dollar (March 2019 – \$1.3005 per U.S. dollar) through to August 2020. The fair value of the forward contracts as at September 30, 2019 was a loss of \$0.5 million (March 2019 – \$2.6 million).

Foreign exchange forward contract to sell INR₹652.3 million (March 2019 – ₹652.3 million) at an average rate of Canadian \$0.01843 per Indian Rupee (March 2019 – C\$0.01803) through to January 2020. The fair value of the forward contract as at September 30, 2019 was a gain of \$17 thousand (March 2019 – loss of \$0.7 million).

Foreign exchange forward contract to sell GBP£6.8 million at an average rate of Canadian \$1.6567 per Pound Sterling through to July 2020. The fair value of the forward contract as at September 30, 2019 was a gain of \$0.1 million.

The fair value of these foreign exchange forward contracts held by acquisition entities has been included in the fair value of these acquisition entities on the consolidated statements of financial position.

15. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In addition to the co-investment commitments described in *note 11*, the Company had the following contingencies, commitments, and guarantees:

- (a) Clairvest has committed a total of \$55.5 million (March 2019 – \$55.5 million) in the Wellington Funds, all of which was unfunded as at September 30, 2019 and March 31, 2019. As a result of the sale of Wellington Financial to CIBC in January 2018, the Wellington Funds are in the process of being wound up and may no longer invest in new investments.
- (b) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable (the "Realized Amount"). As at September 30, 2019, the Realized Amount under the Bonus Program was \$0.1 million (March 2019 – \$7.0 million) and had been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$2.9 million (March 2019 – \$2.8 million) accrued compensation expense liability which would only be payable to management when the corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest, CEP V Co-Invest and CEP VI Co-Invest.
- (c) In conjunction with the sale of Casino New Brunswick during fiscal 2016, Clairvest has agreed to a net guarantee of \$1.8 million (March 2019 – \$1.8 million) to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at September 30, 2019 and March 31, 2019, no claims had been made and no amounts with respect to this guarantee had been funded.
- (d) As part of the holding structure of Chilean Gaming Holdings, an acquisition entity of CEP III Co-Invest had loans totalling \$37.8 million as at June 30, 2019 from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest held term deposits totalling \$37.8 million as at June 30, 2019 with the same financial institution as security for these loans. The deposits were redeemed and used to repay the loans in full during the quarter ended September 30, 2019.
- (e) As at September 30, 2019, the Company had an accrued liability resulting from future minimum annual lease payments for the use of office space. The detail of the lease liability recognized from April 1, 2019 is as follows:

\$000's

Operating lease commitment disclosed as at March 31, 2019	5,144
Discount of future payments ⁽¹⁾	(969)
Lease liability recognized as at April 1, 2019	4,175
Payments applied from April 1, 2019 to September 30, 2019	(204)
Lease liability as at September 30, 2019	3,971

⁽¹⁾ As at September 30, 2019, the incremental borrowing rate was prime plus 1.25% per annum (April 1, 2019 - prime plus 1.25%)

- (f) In connection with its normal business operations, the Company is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any material loss in connection with such actions.

16. RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of risk factors.

Fair Value Risk

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments as described in note 16.

The Company's corporate investment portfolio was diversified across 18 investee companies in 9 industries and 5 countries as at September 30, 2019. Concentration risk by industry and by country, was as follows:

(\$'000s)	September 30, 2019					Total
	Canada	United States	Chile	India	United Kingdom	
Equipment rental	—	13,744	—	—	—	13,744
Financial services	22,819	—	—	—	—	22,819
Gaming	14,296	69,558	54,444	56,072	11,153	205,523
Information technology	—	6,953	—	—	—	6,953
Marketing services	—	6,752	—	—	—	6,752
Renewable Energy	—	27,947	—	—	—	27,947
Residential services	6,375	—	—	—	—	6,375
Specialty aviation and defence services	54,800	730	—	—	—	55,530
Waste management	—	50,567	—	—	—	50,567
Other investments	3,137	3,293	—	—	—	6,430
Total	101,427	179,544	54,444	56,072	11,153	402,640

(\$'000s)	March 31, 2019					Total
	Canada	United States	Chile	India	United Kingdom	
Financial services	23,133	—	—	—	—	23,133
Gaming	17,323	54,591	61,785	43,620	—	177,319
Information technology	—	7,016	—	—	—	7,016
Marketing services	—	10,055	—	—	—	10,055
Renewable Energy	—	12,463	—	—	—	12,463
Residential services	6,375	—	—	—	—	6,375
Specialty aviation and defence services	55,868	819	—	—	—	56,687
Waste management	—	43,390	—	—	—	43,390
Other investments	(144)	3,254	—	—	—	3,110
Total	102,555	131,588	61,785	43,620	—	339,548

The Company has considered current economic events and indicators in the valuation of its investee companies.

Interest Rate Risk

Fluctuations in interest rates affect the Company's income derived from its cash, cash equivalents, temporary investments and restricted cash ("treasury funds"). For financial instruments which yield a floating interest rate, the income received is

directly impacted by the prevailing interest rate. The fair value of financial instruments which yield a fixed interest rate would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

As at September 30, 2019, \$369.3 million of its treasury funds were held in cash or fixed income securities which generated a floating yield. If interest rates were higher or lower by 1% per annum, the potential effect would have been an increase or decrease of \$0.9 million to distributions and interest income on a pre-tax basis for the quarter ended September 30, 2019.

Certain of the Company's corporate investments are also held in the form of debentures and loans. Significant fluctuations in market interest rates can have a significant impact on the carrying value of these investments as described in *note 17*.

Currency Risk

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States, Chile, India, and the United Kingdom. The Company also advances loans to investee companies which may be denominated in foreign currency. In order to limit its exposure to changes in the value of foreign-denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities enter hedging positions against these foreign-denominated currencies. As at September 30, 2019, the Company had net foreign exchange exposure to the CLP totalling \$44.9 million (March 2019 – \$20.9 million) and the INR totalling \$43.3 million (March 2019 – \$31.0 million). For the quarter ended September 30, 2019, the Company's acquisition entity had foreign exchange losses of \$2.3 million on the CLP and \$0.6 million on the INR, the amount of which have been included as a reduction to net investment gain for the quarter.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact on the profitability of these entities and in turn the Company's fair value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

Credit risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the quarter ended September 30, 2019, there were no material income effects on changes of credit risk on financial assets. The carrying values of financial assets subject to credit exposure as at September 30 and March 31, 2019, net of any allowances for losses, were as follows:

	September 30, 2019			March 31, 2019		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Financial Assets						
Cash and cash equivalents	\$ 216,687	29,290	245,977	\$ 288,922	28,275	317,197
Temporary investments	152,582	19,396	171,978	163,403	19,662	183,065
Accounts receivable ⁽¹⁾	17,281	196	17,477	18,264	435	18,699
Loans receivable ⁽²⁾	134	—	134	968	—	968
Derivative instruments	32	61	93	—	1,619	1,619
Corporate investments ⁽³⁾	—	37,816	37,816	—	38,380	38,380
	\$ 386,716	86,759	473,475	\$ 471,557	88,371	559,928

⁽¹⁾ Excludes prepaid expenses and receivables from acquisition entities

⁽²⁾ Excludes loans receivable from acquisition entities

⁽³⁾ Excludes net assets (liabilities) from acquisition entities

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of investee companies regularly.

The Company is also subject to credit risk on its accounts receivables and loan receivables, a significant portion of which are with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies, by reviewing the financial condition of investee companies regularly, and through its

fiduciary duty as Manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks. As at September 30, 2019, the Company and the Company's acquisition entities held derivative instruments which had net mark-to-market loss of \$0.4 million (March 2019 – \$1.6 million). The Company believes the counterparty risk with respect to its and its acquisition entities' derivative instruments is minimal.

The Company manages credit risk on treasury funds by conducting activities in accordance with the fixed income securities policy which is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly. The credit ratings of the Company's treasury funds, including those of its acquisition entities, based on the Dominion Bond Rating Services rating scale, with the exception of corporate bonds and loans which are based on the Standard and Poor's rating scale, were as follows:

(\$'000s)	September 30, 2019			March 31, 2019		
	Clairvest	Acquisition entities	Total	Clairvest	Acquisition entities	Total
Cash and restricted cash	214,756	28,970	243,726	287,610	28,115	315,725
Money market savings accounts						
R1-High	384	290	674	283	154	437
Guaranteed investment certificates and investment savings accounts						
AA	117,951	10,736	128,687	107,618	10,465	118,083
A+(¹)	—	—	—	102	—	102
A	10,638	5,273	15,911	18,110	5,790	23,900
A-(¹)	308	—	308	513	406	919
BB+(¹)	—	—	—	102	—	102
BB-(¹)	104	—	104	102	—	102
BBB-(¹)	310	101	411	306	—	306
Not rated(¹)	206	302	508	407	—	407
Corporate Bonds						
A+	3,006	—	3,006	2,997	—	2,997
A	3,014	—	3,014	3,006	—	3,006
Other fixed income securities						
Not rated	18,592	3,016	21,608	31,169	3,007	34,176
Total cash, cash equivalents and temporary investments	369,269	48,688	417,957	452,325	47,937	500,262

(¹) Principal protected by the Canada Deposit Insurance Corporation.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements are described in *note 14*. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described in *note 15* were \$401.4 million as at September 30, 2019 (March 2019 – \$122.0 million). The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company.

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests its treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million credit facility which was undrawn as at September 30, 2019.

As at September 30, 2019, Clairvest had treasury funds, inclusive of those held at acquisition entities, of \$418.0 million (March 2019 – \$500.3 million) and access to \$100.0 million (March 2019 – \$100.0 million) in credit to support its current and anticipated corporate investments. Clairvest also had access to \$1.0 billion (March 2019 – \$286.2 million) in uncalled committed third-party capital through the CEP Funds as at September 30, 2019 to invest along with Clairvest's capital.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, cash equivalents, temporary investments, corporate investments, and derivative instruments are carried at fair value in accordance with the Company's accounting policy as described in *note 2*. All other financial instruments, including receivables and payables, were short-term in nature.

(a) Fair value hierarchy

The Company classifies financial instruments measured at fair value through profit or loss according to the following hierarchy, based on the lowest level of significant input used in measuring fair value.

Level	Fair value input description	Financial instruments
Level 1	Quoted prices (unadjusted) from active markets	Quoted equity instruments Quoted corporate bonds Money market and investment savings accounts
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	Quoted equity instruments which are not actively traded (i.e. significant ownership positions) Guaranteed investment certificates Quoted corporate bonds or loans which are not actively traded
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments or partnership units Corporate bonds, debentures or loans not traded

The following table details the financial instruments measured at fair value classified by the fair value hierarchy:

(\$'000s)	September 30, 2019			March 31, 2019	
	Fair value measurements using			Assets / liabilities at fair value	Assets / liabilities at fair value
	Level 1	Level 2	Level 3		
Financial assets					
Cash equivalents					
Money market savings accounts	384	—	—	384	283
Investment savings accounts	27,162	—	—	27,162	26,354
	27,546	—	—	27,546	26,637
Temporary investments					
Guaranteed investment certificates	—	127,970	—	127,970	126,231
Corporate bonds	—	6,020	—	6,020	6,003
Other fixed income securities	—	—	18,592	18,592	31,169
	—	133,990	18,592	152,582	163,403
Derivative instruments	—	32	—	32	—
Corporate investments	—	22,624	410,245	432,869	366,279
	27,546	156,646	428,837	613,029	556,319

For financial instruments which are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event.

During the quarter ended September 30, 2019, there were no transfers between the various levels of the fair value hierarchy.

(b) Level 3: Reconciliation between opening and closing balances

The following table details the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy set out in IFRS 13:

For the quarter ended September 30, 2019

(\$'000s)	Fair value July 1, 2019	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2019
Financial assets					
Other fixed income securities	26,645	—	—	(8,053)	18,592
Corporate investments	365,007	12,133	36,982	(3,877)	410,245
	<u>391,652</u>	<u>12,133</u>	<u>36,982</u>	<u>(11,930)</u>	<u>428,837</u>

For the six months ended September 30, 2019

(\$'000s)	Fair value April 1, 2019	Net investment gain (loss) included in earnings	Purchases of assets / issuances of liabilities	Sales of assets / settlements of liabilities	Fair value September 30, 2019
Financial assets					
Other fixed income securities	31,169	(2)	—	(12,575)	18,592
Corporate investments	346,600	30,779	36,982	(4,116)	410,245
	<u>377,769</u>	<u>30,777</u>	<u>36,982</u>	<u>(16,691)</u>	<u>428,837</u>

(c) Level 3: Fair value measurement based on reasonably possible alternative assumptions

While Clairvest considers its fair value measurements to be appropriate, the use of reasonable alternative assumptions could result in different fair values. On a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments. Included in corporate investments are investee companies (as described in *note 6*) for which the fair values have been estimated based on assumptions that are not supported by observable inputs. The following tables details quantitative information on the primary valuation techniques and unobservable inputs based on the form of investment:

September 30, 2019	Valuation techniques	Significant unobservable input	Range
Unquoted equity instruments (including warrants) or partnership units	Public company comparables	EBITDA multiples	3.9x to 9.0x
	Recent transactions	n/a	n/a
Corporate bonds, debentures or loans not traded or other finite set of cash flows	Discounted cash flows	Discount rates	6.0% to 20.0%

The most significant unobservable input for fair value measurement is the multiple of earnings before interest, tax, depreciation and amortization (“EBITDA”) used for each individual investee company. In determining the appropriate multiple, Clairvest considers (i) public company multiples for companies in the same or similar businesses; (ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and (iii) multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company’s earnings and current economic environment. As at September 30, 2019, eight investee companies were valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would have been an increase of \$18.2 million or a decrease of \$18.2 million to the carrying value of corporate investments and net investment gain, on a pre-tax basis, for the quarter ended September 30, 2019 (March 2019 – an increase of \$16.8 million or a decrease of \$16.8 million). Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative

indication of fair value. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions or discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at September 30, 2019 and March 31, 2019.

18. CAPITAL DISCLOSURES

Clairvest considers the capital it manages to be shareholders' equity. Clairvest also manages capital held in acquisition entities, the third-party capital committed or invested in the CEP Funds and co-investments made by other investors.

Clairvest's objectives in managing capital are to:

- Preserve a financially strong company with substantial liquidity to pursue new acquisitions and growth opportunities as well as to support its operations and the growth of its existing investee companies;
- Achieve an appropriate risk adjusted return on capital;
- Build long-term value in its investee companies to generate superior returns; and
- Have appropriate levels of committed third-party capital available to invest alongside Clairvest's capital. The management of third-party capital also provides management fees and/or priority distributions to Clairvest and the ability to enhance Clairvest's returns by offsetting a portion of its operating costs and by earning a carried interest.

As at September 30, 2019, Clairvest had no external capital requirements, other than as disclosed in *note 15*.

19. SUBSEQUENT EVENTS

Subsequent to quarter end, Clairvest, CEP V and CEP V-A completed the sale of GTA Gaming. Clairvest held its investment in GTA Gaming through CEP V Co-Invest which received proceeds of \$15.5 million, compared to a cost of \$9.0 million.

Also subsequent to quarter end, Clairvest, CEP V and CEP V-A announced their intention to roll 100% of their equity interest in Accel Entertainment, Inc. ("Accel Entertainment") pursuant to business combination between Accel Entertainment and TPG Pace Holdings Corp. Clairvest, CEP V and CEP V-A, together the largest shareholder of Accel Entertainment, will become the largest shareholder of the combined entity, which will be publicly-traded on the New York Stock Exchange. Under the terms of the proposed merger, Clairvest, which held its investment in Accel Entertainment through CEP V Co-Invest, will receive approximately 4.86 million shares of the combined company, representing approximately 4.5% equity ownership. The transaction is expected to close in November 2019. As at September 30, 2019, Clairvest's carrying value in Accel Entertainment reflected a discount to the proposed transaction price.